March 5, 2013

TO: Joyce Turner, Director
              Department of Enterprise Services

FROM: David Schumacher
              Director

SUBJECT: **REVIEW OF PROGRAMS AND SERVICES AT DEPARTMENT OF ENTERPRISE SERVICES**

Engrossed Substitute Senate Bill 5931 (ESSB 5931), Section 104(5) directs the Office of Financial Management (OFM) to conduct a review of the programs and services performed by the Department of Enterprise Services (DES) to determine whether a program or service may be performed by the private sector in a more cost-efficient and effective manner than being performed by the department. Up to six activities and services may be selected by OFM each biennium under this review. In conducting its review, OFM is authorized to break programs down into discrete services or activities or the programs may be reviewed as a whole. However, priority for selection shall be given to agency activities or services that are significant, ongoing functions.

For the 2011-13 biennium, OFM selected for review:

- Bulk mail (required by ESSB 5931)
- Mail delivery services outside Thurston County
- Website design and maintenance services, including internet portal and e-Government services

For each of the selected activities, DES must conduct a procurement process. If OFM determines through the procurement process that the activity or service could be provided by the private sector at a reduced cost and with greater efficiency, DES may proceed with the contract.

For more information on ESSB 5931, go to:
http://apps.leg.wa.gov/billinfo/summary.aspx?bill=5931&year=2011.

The purpose of this memorandum is to inform you that OFM has determined through the requests for proposals issued by DES that the following services can be provided at a reduced cost and with greater efficiency by the private sector:

- Website design and maintenance services, and
- E-government services including the state's web portal (Access Washington).

Therefore, DES may enter into contracts for these services. This memorandum reviews the background of each service and provides our analysis of the efficiencies and savings that would accrue from using the private market for these services.

Background

1. Website Design and Maintenance Services

DES currently provides website design, development, and maintenance services to state agencies and local governments ("client"). It is an optional service; therefore, the delivery of website design, development, and maintenance services varies across state and local governments. For example, many state agencies have internal staff who perform website design and development work. Some of this work may be currently contracted out to the private sector.

DES offers to clients both creative website design built from the "ground up" and standardized template design for a simpler "out of the box" solution. DES can also build custom web applications, RSS feeds, scripting, feedback tools, and other interactive web components for websites. Additionally, DES offers website maintenance services including such things as general troubleshooting and content management. However, DES can also train client staff to update web content.

A few local governments have opted to use DES' services; however, DES' primary clients are state agencies. Recent and current clients include:

State Agency	Website Design & Development	Maintenance
Office of the Governor	Governor website (governor.wa.gov) Government Accountability and Performance website (accountability.wa.gov) Recovery website (recovery.wa.gov)	Yes
Office of Financial Management	OFM website (ofm.wa.gov) Education Research & Data Center website (erdc.wa.gov) OCIO Geospatial Portal website (geography.wa.gov)	Yes
Office of Regulatory Assistance	ORA website (ora.wa.gov)	Yes
Department of Health	DOH website (doh.wa.gov) DOH CHILD Profile website DOH Immunization Program website	No
Utilities and Transportation Commission	UTC website (utc.wa.gov)	Yes
Department of Licensing	DOL Intranet	No
Economic & Revenue Forecast Council	ERFC website (erfc.wa.gov)	No
Military Department	Military Department websites (mil.wa.gov) EMD website (emd.wa.gov) EMD Kidz website (emd.wa.gov/kids)	EMD website - Yes
Washington Apple Commission	Apple Commission website (bestapples.com)	Yes
Recreation and Conservation Office	RCO website (rco.wa.gov) RCO Intranet	No
Invasive Species Council	Invasive Species Education website (wise.wa.gov)	No
Board of Accountancy	BOA website (cpaboard.wa.gov)	No

State Agency	Website Design & Development	Maintenance
Commission on African American Affairs	CAA website (caa.wa.gov)	Yes
Commission on Asian-Pacific American Affairs	CAPAA website (capaa.wa.gov)	Yes
Department of Services for the Blind	DSB website redesign (dsb.wa.gov)	Yes
Department of Social and Health Services	Start Talking Now/Let's Draw the Line websites Athena Forum website Traumatic Brain Injury Council website Design (tbiwashington.org)	Yes
Consolidated Technology Services	CTS website (cts.wa.gov)	No
Department of Enterprise Services	DES website (des.wa.gov) DES Intranet	Yes
Office of Minority and Women's Business Enterprises	OMWBE website (omwbe.wa.gov)	Yes
Citizens' Commission on Salaries for Elected Officials	CCSEO website (salaries.wa.gov)	Yes
Board of Pilotage Commissioners	BPC website (pilotage.wa.gov)	Yes
Employment Security Department	Accessible Communities website	No

In order to compare costs with the private sector vendors, DES converted its costs for performing these services into an hourly rate. The DES average hourly rate is a range of $113 to $161 per hour. The low end of the range consists solely of DES direct costs to deliver the service based on staff salary and benefits. The high end of the range includes allocations for DES indirect costs (e.g., human resources, payroll, and accounting support), which is more representative of the total cost of the service.

Our analysis uses a range because some costs may not be reduced by a contract with the private sector. In this instance, direct costs for website design, development and maintenance services are driven by staff costs, and indirect costs are incurred in support of the staff. Consequently, both direct and indirect costs can be avoided by contracting for this service. Therefore, a $161 per hour average rate is the state cost from which we compare this activity to the private sector.

2. Access Washington

The Department of Enterprise Services (DES) maintains the state of Washington's official website, Access Washington. The website gives people access to an array of information and services, primarily through links to state agency websites. The website also contains features such as news and media alerts, a link to the Governor's Office website, content organization such as a "How Do I?" feature, and various webpages devoted to topical areas such as "Employment" and "Education."

Access Washington is funded through fees paid by state agencies based on full-time equivalent (FTE) employees and "referral fees," which are paid each time a user selects to navigate to a state agency website from Access Washington.

Proposed 2013-15 Access Washington Fee Structure	Fee
Base Rate for Agencies with 50+ FTEs	$1,000
Annual Fee per FTE (regardless of agency size)	$8.91
Referral Charge (derived from snapshot of agency referrals via hyperlinks from Access Washington)	$0.16

Fees for Access Washington generated $3.96 million during the 2009-11 biennium. An estimated $3.3 million is expected to be generated from these fees during the 2011-13 biennium.

DES is proposing to change the fee structure for the 2013-15 biennium. The major change is shifting from a monthly FTE charge to an annual FTE charge. It is anticipated that the new fee structure will reduce biennial funding to $1.82 million, resulting in savings to most state agencies.

Proposed 2013-15 Access Washington Fee Structure	Fee
Annual Cost Recovery Fee per FTE (regardless of agency size)	$30.13

For purposes of this analysis, OFM assumes the new fee structure is in place, and state costs for this service over the biennium range from $1.29 million to $1.82 million. Direct costs for this service total $1.29 million; allocations for DES indirect costs increase the total to $1.6 million. If this service were contracted out to the private sector, it is likely that the Access Washington charge would be eliminated. Direct costs would also be eliminated. However, depending on the services contracted, some indirect costs – such as costs to continue some software licenses or costs to host Access Washington on Consolidated Technology Services servers – could remain.

DES Request for Proposal (RFP)

Working with the Office of the Chief Information Officer and two sourcing teams, DES developed the requirements for the RFP. The RFP allowed vendors to bid on the web design and maintenance service, or on the Access Washington and e-government services, or on both. On May 24, 2012, DES issued a request for proposal. The content of the RFP can be found at: http://des.wa.gov/services/technology-procurement-announcements.

This RFP was to represent a First-Tier process, with a master contract to be developed between the vendor and DES for use by Washington's state agencies and more than 2,000 local government entities and qualified non-profits ("purchasers"). Subsequent individual contracts between purchasers and the vendor are obtained through a Second-Tier process where purchasers will identify specific requirements and/or documented outcomes for individual projects. If the purchaser decides to move forward with the project, an agreement will be entered into between the purchaser and vendor.

A contract awarded under this RFP would have an initial term of three years with one two-year option period. The contract will be designated as "optional-use," and therefore, no guarantee of work is given. Additionally, vendor quotations were to represent a maximum or "ceiling" price. On a project-by-project basis, a vendor could elect to provide services at a lower price than that originally established in its master contract.

1. Analysis of Website Design and Maintenance Services Request for Proposals

The RFP document announced the state's interest in entering into an agreement with one or more service providers who specialize in strategic website design solutions and maintenance services. The stated main focus for website design was usability, content organization, and accessibility. In addition, through website design, the state sought to leverage the internet for efficiency and cost savings, while ensuring the user's experience is positive and productive. Maintenance services were to focus on managing customer concerns and needs in the most economically feasible way, recognizing that many state agencies and local governments lack the staff and resources to manage and maintain a website after development is complete.

DES asked in the RFP for vendors to answer a series of questions in three categories – vendor management qualifications, technical proposal, and vendor quotation. For the website design and maintenance services, DES weighted the scores so that a bidder's technical proposal (i.e., how they would provide the services) was worth 60 percent of the score, and the remaining sections were each worth 20 percent of the score. This weighting reflects DES' decision to elevate *how* a bidder was to provide the service, over *why* a bidder was best able to provide the services, based on staff and experience, or *how much* the bidder was going to charge the state for the services.

Six bidders submitted proposals, of which five were evaluated. Three evaluators scored the Vendor Management Qualifications section of all five proposals, and a five-member evaluation panel scored the Technical Proposal section of the proposals. After the scores were computed, the following reflects how the bidders scored:

NICUSA	Management	17.8	points	(out of a possible 20 points)
	Technical	82.92*	points	(out of a possible 93 points)
	Quotation/Cost	9	points	(out of a possible 20 points)
	Total	109.72		

Imex	Management	18.4*	points	
	Technical	64.2	points	
	Quotation/Cost	20*	points	
	Total	102.76		

Logic 20/20	Management	11.6	points	
	Technical	75.35	points	
	Quotation/Cost	8.2	points	
	Total	95.15		

Valtech	Management	18.4	points	
	Technical	64.2	points	
	Quotation/Cost	20	points	
	Total	87.03		

ezSite	Management	16.86	points	
	Technical	24.6	points	
	Quotation/Cost	18.4	points	
	Total	59.86		

Signifies the highest score in that section.

A. Recommendation

Based upon the scores, DES would award master contracts to NICUSA, Imex, Logic 20/20, and Valtech. We concur with this assessment and a contract can be awarded to Imex and Logic 20/20. However, in order to achieve costs savings to the state, a stand-alone contract for website design, development, and maintenance contract with NICUSA or ValTech would need to be negotiated to lower its service prices. Our conclusion that price negotiation would be required with NICUSA does not extend to its response to the state's RFP for Access Washington and e-government services, for which web design, development and maintenance is a component.

i. Basis for Recommendation – Efficiencies

DES website design, development, and maintenance service are optional for state agencies. Based on DES' past portfolio of work for state agencies and revenues from charges for this service, the service is used by a minority of agencies. This is not a reflection of the quality of DES services. Rather, it is a reflection of the state's approach that websites and other on-line services are a component of an agency's mission. Thus, more often agencies use their own staff or contract for web development rather than using the optional services of DES.

Low utilization is a reason we believe that contracting with the private sector will be more efficient and effective. By moving to contracting for the service, the state will only purchase the service as needed rather than maintain a core group of professional staff. Private sector vendors must meet the demands of multiple clients and attract new clients by continually updating their skills and offerings. Several vendors employ more than 100 employees and consultants and each of the vendors can provide or exceed DES' current services. It will be more efficient and effective for the state to purchase the depth and breadth of these vendors' skills than retain this service at DES.

Because utilization of DES services is low, the risk of improper or failed performance of the contract is low and contained primarily to agencies with static websites. The risk can be further mitigated with the award of multiple contracts, which we recommend.

ii. Basis for Recommendation – Cost Savings

Hourly Rate for Services

Service	DES	NIC	IMEX	Logic 20/20	ValTech
Project Management	$113 to $161	$190	$90	$210	$135
Theme Development	$113 to $161	$190	$75	$210	$130-$195
Functionality Development	$113 to $161	$210	$80	$200	$147-$195
Functional and Quality Assurance Testing	$113 to $161	$160	$60	$170	$130
Post Testing Development and Fixes	$113 to $161	$170	$60	$200	$130-$195

Documentation Development	$113 to $161	$160	$60	$190	$130-$195
Training	$113 to $161	$160	$75	$190	$130-$195
Website Maintenance	$113 to $161	$170	$60	$200	$130-$195

One vendor, IMEX, submitted a proposal that scored highest in the management proposal and price categories. IMEX prices are at least one-third less than the current cost of DES. IMEX also provided costs for additional services that could be provided, such as web strategy and security consulting, which are in addition to the prices described above. However, the price for each additional service is still less than $160 an hour.

Logic 20/20 submitted price quotes ranging from $170 to $210 an hour. However, these costs assumed weekly round-trip expenditures of an entire project team for the service. Prices would be 15% to 20% lower excluding travel costs, which would produce an average price of $157 to $167 an hour that is comparable with DES charges. As the portfolio of clients using DES services generally consists of small agencies seeking a static website or medium and large agencies possessing mature information technology operations, it is unlikely that travel would be required. Additionally, vendor quotations were to represent a maximum or "ceiling" prices that could be lower on a project-by-project basis. Consequently, we conclude that a contract with Logic 20/20 would achieve cost savings to the state.

NICUSA's prices exceed DES prices by $10-$30 an hour. ValTech submitted price quotes using a range of $130 to $195 an hour. In both instances, we cannot conclude that a contract with these vendors would produce cost savings to the state. However, prices are subject to further negotiation. Vendors cannot request a price higher than the quotes contained in their proposal, but they can agree to a lower price. Both NICUSA and ValTech are highly qualified vendors with a large portfolio of public sector clients, and we believe they can efficiently and effectively provide services to Washington state agencies. We recommend that DES contract with these vendors if a price of $160 an hour or less can be negotiated.

2. Analysis of Access Washington/e-Government Request for Proposals

The RFP also announced the state's interest in contracting with a single full service provider to help the state plan for consistent and efficient multi-agency transactional processes, and to offer e-government applications and services to agencies, commissions, boards, etc., for the state of Washington. Services to be provided would include, but not be limited to: development and management of the state's web portal (Access Washington); facilitating financial transactions and processing; application development; integration with agencies' existing systems; security; application hosting and support; and management reporting. Key state objectives included are rapid implementation and adoption of new e-government applications to increase the number of online transactions, increased access to data, and development of a continually expanding set of basic government services.

For the Access Washington/e-government services, DES applied a similar weight to scoring between vendor management qualifications (15%), technical proposal (50%), and funding model (35%). Greater weight was given to the funding model to reflect the state's need for a sustainable financial plan for the state's web portal.

A. Recommendation

Three bidders submitted proposals and DES' evaluation concluded that it would award a master contract to NICUSA for Access Washington and e-government services. We agree and recommend that DES move forward with this award.

Our state's citizens and business have increased expectations that online services are available for their transactions with government. Washington state remains a leader in advanced technology, influencing the way our state's citizens work, play and interact. According to the U.S. Census Bureau, Washington state is the third highest in the nation in internet use. These factors present both the need and the opportunity for Washington state government to more aggressively pursue a digital service future.

One of the overarching rationales for e-government application in the public sector is improved efficiency. E-government applications often reduce costs by automating standard tasks and streamlining operations. Additionally, the quality of services may improve via quicker transactions, accountability and faster/better processes in service delivery.

To measure the progress of e-government initiatives, the Gartner research (2000) study titled "Gartner's Four Phases of e-Government Model" classifies e-government into four distinct phases.

- *Presence:* This phase is classified by a simple information-providing Web site of a passive nature, sometimes described as "brochure ware," indicating the same level of functions as a paper brochure.

- *Interaction:* The interaction phase offers simple interactions between government and citizen (G2C), government to business (G2B), or government agency to government agency (G2G). Interaction stage web sites provide e-mail contact and interactive forms that generate informational responses. Content is updated with greater regularity.

- *Transaction:* The transaction phase enables transactions such as paying for license renewals online, paying taxes or fees, or submitting bids for procurement contracts.

- *Transformation:* The highest phase, most closely aligned with the concept of governance, involves a reinvention of how government functions are conceived and organized.

Washington state government is highly decentralized and much of the investment in online service and information delivery mechanisms are implemented through individual agencies as a component of their missions. Consequently, where state agencies lie on this continuum varies.

The Department of Licensing launched a highly successful License Express that provides the public with a fast and easy on-line service to manage driver license and vehicle, trailer and boat licenses. The Department of Revenue saved $1.7 million by moving approximately 90,000 taxpayers to on-line filing of their tax returns. Other state agencies have also taken the leap into transactional e-government. However, many other state agencies lag behind. As a recent Washington State Auditor's Office Performance Report on Regulatory Reform notes, only 16 percent of state business licenses are available through the state's Business Licensing Service. Moreover, the report is critical of the fact that Washington state has not yet achieved the vision of a one-stop business portal.

Recognizing this need, the question is whether the state's portal and e-government services could be provided by the private sector at a reduced cost and with greater efficiency and effectiveness. We conclude that it would, specifically through a contract with NICUSA.

i. Basis for Recommendation – Efficiencies

Government portals are built to provide the public a simple way to access services without getting distracted or lost in the complexity of layers of bureaucracy that government can create. The goal is a one-stop on-line shop for citizens or businesses to use through a single interface. Achieving this goal has been recognized by both former Governor Gregoire (Executive Order 12-01) and the Senate (Substitute Senate Bill 6356). The Legislature has also directed state agencies to move toward electronic submittal of business forms, documents and payment of fees from customers and clients (Substitute Senate Bill 6354).

Access Washington currently is Washington's state portal. It generally enables Washington citizens to access services through information and links to other state agency websites. DES staff is dependent on state agencies for its content. DES launched a major refresh of the site to reduce costs, implement maintenance changes more quickly, and improve user navigation. It consistently achieves high satisfaction scores from users of the portal.

However, Access Washington is not an integrated enterprise system with convenient one-stop features or applications. It is not dynamic or interactive with the user. Consequently, it is not a transactional "portal" using Gartner's phases of e-government; rather it is in the interaction phase.

The OCIO estimates that development of an improved Washington state business portal featuring on-line licensing and tax reporting/payment would cost $21 million over four years if it were to lead the effort internally. We believe the private market, and specifically NICUSA, could reduce the cost and increase the speed of this effort.

NICUSA currently operates in 27 states, and manages the web portals of 25 states. NICUSA's portal services are comprehensive from building the architecture; to design, development, testing, and usability; to support and maintenance; and eventually refresh. As part of its contract, NICUSA would provide Washington with a core IT team that understands and works on portals, which can drive integration projects that span multiple agencies and multi-years. Washington currently lacks this experience and leadership. Moreover, NICUSA has over 700 additional specialists who support its e-government services. Washington state cannot match the depth and breadth of the talent NICUSA has at its disposal. Lastly, NICUSA can also provide extensive training and technical support at no charge. It is more efficient for Washington state to purchase these skills and services than attempt to develop them itself.

While each portal is as unique as the state it serves, NICUSA is experienced in creating a common platform that can give Washington state the look, feel, and features of a more uniform and coordinated Washington state on-line presence. While these elements may seem superficial, an attractive, easy-to-use and reliable portal will create efficiencies and savings to the state by driving more on-line transactions and fewer in-person or over-the-phone transactions requiring staff, offices and equipment.

With a private vendor, state agencies would have a greater array of options when moving a program or service to an e-government solution. Private vendors can leverage economies of scale such that common code, components, and applications are shared across client bases. With this in mind, NICUSA has created an e-government library. DES has made efforts to build a similar library among state agencies; however, it cannot match NICUSA's extensive e-government knowledge library. With a contract, Washington state agencies will have the choice of importing and customizing similar on-line applications developed by NICUSA or developing their own applications with NICUSA. In either

instance, the reusability of NICUSA's products and components has been proven in other states to reduce both the time and expense of projects.

The NICUSA library consists of both small services, such as those currently provided by DES ("out of the box" or customized website), and large services that DES cannot provide. An example of a large service is on-line payment processing. NICUSA offers a service that complies with Sarbanes-Oxley and the Payment Card Industry's Data Security Standards (PCI DSS) and Payment Application Data Security Standard (PA DSS). This compliance is met through building and maintaining a secure network, protecting cardholder data, maintaining a vulnerability management program, implementing strong access control measures, regularly monitoring and testing networks, and maintaining an information security policy. This significant investment of money, time, and technical resources is absorbed in large part by NICUSA, which would free Washington state agencies from this expense. A payment processing system may also lead to additional on-line services. The time and expense of processing on-line payments was noted by several agencies as a reason for why they did not participate in the state's on-line Business Licensing System.

Another NICUSA application that can move Access Washington to a more transactional portal is its subscriber services, which allows companies or individuals to conduct business using a consolidated account linked to a checking account or credit card. The service enables subscribers to manage a variety of on-line transactions (e.g., licensing payments, tax payments, and vehicle registrations) and pay in one monthly bill. Enhancing and easing the user's on-line experience can lead to more on-line transactions, which is cheaper and more efficient for state agencies.

NICUSA is skilled at creating and using "middleware," which are tools and software that enable new e-government applications and services to work with legacy platforms that use languages that are no longer supported within the industry. Through the use of middleware, applications can acquire data through multiple interfaces of older systems and present it to the user as a seamless service. Likewise, middleware enables applications to capture the data from users and deliver it in formats that are compatible to one or more information technology systems. Many Washington state agency information technology systems are on legacy platforms, which has impeded the delivery of on-line services, as well as integrated, multiagency on-line services. This is a common phenomenon among state governments. Through managing other state portals, NICUSA has extensive experience using commercial middleware products, as well as developing its own proprietary products, to integrate new e-government applications with older systems. These skills are also instrumental when building transactional portals, such as the state's "My Account" project, through which citizens could access multiple state systems in a single interaction. While DES could expand its skills in this area, it is likely that it would still need to purchase middleware tools and services from the private market if it were to build a more robust transactional state portal. A contract with NICUSA, however, is likely to speed the delivery of this service component because of NICUSA's experience.

NICUSA's catalog of tools also includes transforming websites or portions of websites for use on mobile, tablet, and other devices. For example, NICUSA has experience optimizing websites so it can recognize the user's platform and show information in the format of the user's device. Alternatively, NICUSA can build a separate interface to pull a portion(s) of a website or a single service to be shown on a device in a simple and straightforward manner. DES currently possesses this skill set. However, a contract with NICUSA would avoid the time and expense required to maintain DES state employees' skills, such as learning new languages and tools to accommodate changes in consumer and business devices. Because its current client base demands it, NICUSA is continually examining new

technologies and new delivery modes. By joining NICUSA's client base, Washington can leverage its needs with that of other state governments for up-to-date, user-centric delivery of on-line services.

Lastly, because NICUSA works across the nation, its services and products are compliant with all applicable federal and industry confidentiality and privacy laws, rules, regulations, methods, policies, standards, and guidelines. In addition, NICUSA can meet and exceed the security requirements of the RFP.

All of these factors also contribute to our assessment that the risk of improper or failed performance with a NICUSA contract is low. NICUSA manages 23 state portals; these states indicate that NICUSA provides consistently high quality and responsive services. It conducts business in a very open and transparent manner consistent with the public's expectations of government.

ii. Basis for Recommendation – Cost Savings

Washington has diverse and often dedicated funding streams that can both facilitate and frustrate the development of e-government applications. For example, the Department of Health has been able to automate its professional licensing application and renewal processes with an on-line payment feature because it can finance the project through its license fees. Conversely, agencies supported by the state's general fund, such as the Department of Revenue and Department of Social and Health Services, must compete with all other state services for funding to expand their on-line presence and services.

The current funding model for Access Washington requires agencies to pay assessments. These assessments support the basic functioning of the portal – maintenance activities (such as ensuring hyperlinks are functional and updating content when provided by agencies) and operation of a help center. However, DES staff are dependent on state agencies for content. Thus, funding constraints within state agencies to expand on-line services and provide updated information constrain the content of Access Washington.

A contract with NICUSA would open new opportunities for a more robust Access Washington because the operation, maintenance and expansion of the state's portal would be self-funded. NICUSA's self-funded model leverages existing optional government-to-business transactions where businesses are willing to pay a premium for the service to fund the state's portal and e-government services. A key funding stream would come from the sale of motor vehicle licensing information to brokers who resell the information to insurance companies, employers and other statutorily authorized purchases. The Department of Licensing currently has statutory authority for this service, which would be contracted with NICUSA for it delivery. NICUSA would impose a transaction fee, subject to state oversight, which after a negotiated reasonable rate of return to NICUSA, is reinvested in the state through funding the Access Washington portal and the creation/delivery of other e-government services. The fee would not be charged on government and citizen transactions. All statutory fees are collected and remitted without reduction.

NICUSA would work with the state to determine what on-line services would have a transaction fee and the amount. It has been successful through market research in identifying other on-line services where a transaction fee could be generated. Additionally, as a contract service provider in other states, NICUSA has been successful in generating additional revenue by: 1) increasing the number of on-line service transactions through marketing programs, 2) adding value to transactions by supplying information and/or services in multiple formats as desired by businesses and citizens, and 3) simplifying payment through on-line client accounts.

Under this model, there is essentially no cost to the state. Our expectation is that the current Access Washington fee would end, saving state agencies $1.82 million in the 2013-15 biennium. Some costs could continue depending on the contents of the contract. Nonetheless, the state still would achieve significant savings from a contract with NICUSA; the most conservative savings estimate is $1.29 million, which is the state's direct cost for Access Washington. The self-funded model has been implemented successfully in 23 states and we believe the same success can occur in Washington state.

The vast majority of on-line transactions and applications provided by NICUSA will be free, meaning that neither the agency nor the consumer pays for the service. Free services drive more businesses and citizens to the state's portal. The increased traffic does drive increased transactions, and in turn, revenues, over time.

The choice of what fees to charge and the amount will have state oversight. Governance of Access Washington will remain with the state. To ensure that the oversight is open and transparent, we recommend the contract include a governance structure that assists DES with the management of the portal, expansion of on-line applications, and review of contractor performance. The governance structure could build on the current Technology Services Board or be separately created. In either case, a significant portion of the board should be composed of state agencies that rely on Access Washington and/or will access NICUSA's services.

As a master contract, contracting with NICUSA would not force any agency to abandon existing on-line solutions and agency decisions to utilize the contract for application development. Additionally, NICUSA will offer agencies the opportunity to fund projects for a fixed fee or on a time and materials basis. In these instances, the state and its agencies will still be able to leverage their needs with the work NICUSA is performing in other states. A NICUSA contract will provide state agencies with another tool in their toolbox when it comes to delivering information technology projects, and we assume they will use it when it is more effective and efficient for the agency.

Although not a factor in our analysis, it is worth noting that NICUSA actively markets its services to all entities in state (executive, judicial, legislative, and institutions of higher education) and local government. As a master contract, the efficiencies and cost savings we note will extend to local governments as well if they chose to access the services.

If you have any questions, please contact Julie Murray, OFM Director of Legal and Legislative Affairs, at (360) 902-0647.